FINANCIAL STATEMENTS

THE AMERICAN SOCIETY OF HUMAN GENETICS

FOR THE SIX MONTHS ENDED JUNE 30, 2018

THE AMERICAN SOCIETY OF HUMAN GENETICS

CONTENTS

GELMAN, ROSENBERG
& FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The American Society of Human Genetics
Rockville, Maryland

We have audited the accompanying financial statements of The American Society of Human Genetics (ASHG), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, functional expenses and cash flows for the six months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ASHG as of June 30, 2018, and the change in its net assets and its cash flows for the six months then ended in accordance with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

October 15, 2018

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EXHIBIT A

THE AMERICAN SOCIETY OF HUMAN GENETICS

STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018

ASSETS

CURRENT ASSETS	
Cash and equivalents	$ 756,172
Investments	17,831,309
Accounts receivable	58,725
Grants receivable	70,200
Prepaid expenses	333,769
Total current assets	19,050,175
FIXED ASSETS	
Furniture and fixtures	10,145
Leasehold improvements	562,604
	572,749
Less: Accumulated depreciation and amortization	(10,579)
Net fixed assets	562,170
TOTAL ASSETS	**$ 19,612,345**

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued liabilities	$ 283,548
Deferred revenue	1,985,571
Total current liabilities	2,269,119
LONG-TERM LIABILITIES	
Deferred rent and tenant improvement allowance	578,152
Total liabilities	2,847,271
NET ASSETS	
Unrestricted	16,750,279
Temporarily restricted	14,795
Total net assets	16,765,074
TOTAL LIABILITIES AND NET ASSETS	**$ 19,612,345**

See accompanying notes to financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Royalty income	$ 778,288	$ -	$ 778,288
Membership dues	324,733	-	324,733
Government grants	39,000	-	39,000
Advertising	13,050	-	13,050
Other income	10,848	-	10,848
Contributions	3,548	-	3,548
Investment loss	(61,080)	-	(61,080)
Net assets released from donor restrictions	44,823	(44,823)	-
Total revenue and support	1,153,210	(44,823)	1,108,387
EXPENSES			
Program Services:			
Annual Meeting	354,332	-	354,332
Journal	420,080	-	420,080
Education	280,731	-	280,731
Membership	25,869	-	25,869
Fellowships and Public Policy	248,176	-	248,176
GMEC	44,823	-	44,823
Total program services	1,374,011	-	1,374,011
Supporting Services:			
Management and General	1,315,336	-	1,315,336
Total expenses	2,689,347	-	2,689,347
Change in net assets	(1,536,137)	(44,823)	(1,580,960)
Net assets at beginning of period	18,286,416	59,618	18,346,034
NET ASSETS AT END OF PERIOD	**$ 16,750,279**	**$ 14,795**	**$ 16,765,074**

See accompanying notes to financial statements.

EXHIBIT C

THE AMERICAN SOCIETY OF HUMAN GENETICS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTHS ENDED JUNE 30, 2018

	Program Services							Supporting Services	
	Annual Meeting	Journal	Education	Membership	Fellowships and Public Policy	GMEC	Total Program Services	Management and General	Total Expenses
Salaries, benefits and payroll taxes	$ 354,332	$ -	$ 229,446	$ 20,122	$ 180,469	$ 44,823	$ 829,192	$ 543,028	$ 1,372,220
Printing, mailing and labels	-	-	5,043	-	-	-	5,043	1,051	6,094
Editor's office expense	-	165,106	-	-	-	-	165,106	-	165,106
Stipends	-	27,504	-	-	-	-	27,504	-	27,504
Accounting and payroll services	-	-	-	-	-	-	-	38,768	38,768
Hotel and travel	-	10,376	21,128	-	2,874	-	34,378	49,280	83,658
Rent	-	-	602	-	-	-	602	91,676	92,278
Projection and audio visual	-	-	-	-	999	-	999	-	999
Contributions to other organizations	-	-	-	-	-	-	-	48,000	48,000
Telephone and fax	-	-	389	54	844	-	1,287	7,082	8,369
Supplies and duplicating	-	-	207	-	-	-	207	81,800	82,007
Computer, software, internet, and web services	-	-	547	-	4,993	-	5,540	232,181	237,721
Credit card fees	-	-	-	5,693	-	-	5,693	-	5,693
Promotion	-	-	8,410	-	-	-	8,410	3,482	11,892
Contracted services	-	216,338	4,814	-	10,596	-	231,748	196,864	428,612
Registration management fee	-	-	150	-	-	-	150	-	150
Insurance	-	-	-	-	-	-	-	10,089	10,089
Membership fees and professional development	-	-	4,099	-	68	-	4,167	5,304	9,471
Awards	-	-	3,900	-	-	-	3,900	-	3,900
Catered events and coffee breaks	-	-	1,544	-	1,531	-	3,075	851	3,926
Advertising	-	-	2	-	-	-	2	-	2
FASEB dues	-	-	-	-	36,647	-	36,647	-	36,647
Miscellaneous	-	756	450	-	9,155	-	10,361	5,880	16,241
TOTAL	**$ 354,332**	**$420,080**	**$ 280,731**	**$ 25,869**	**$ 248,176**	**$ 44,823**	**$ 1,374,011**	**$ 1,315,336**	**$ 2,689,347**

See accompanying notes to financial statements.

THE AMERICAN SOCIETY OF HUMAN GENETICS

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (1,580,960)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	5,188
Unrealized loss	213,867
Realized gain	(31,162)
Increase or decrease in:	
Accounts receivable	302,752
Grants receivable	85,800
Prepaid expenses	(174,650)
Increase or decrease in:	
Accounts payable and accrued liabilities	(177,240)
Deferred revenue	1,457,296
Deferred rent and tenant improvement allowance	15,548
Net cash provided by operating activities	116,439
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(3,199)
Purchase of investments	(371,626)
Proceeds from sale of investments	550,000
Net cash provided by investing activities	175,175
Net increase in cash and cash equivalents	291,614
Cash and cash equivalents at beginning of period	464,558
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 756,172**

SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS

Tenant Improvement Allowance	**$ 562,604**

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The American Society of Human Genetics (ASHG) is a non-profit organization, incorporated and located in the State of Maryland. ASHG was established to bring close contact investigators in the many fields of genetic research, to encourage and integrate research in human genetics, and to deal with other related issues.

ASHG changed their year-end from December 31 to June 30, effective for the year ended June 30, 2018.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

ASHG considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of $250,000. At times during the six months, ASHG maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses are included in investment income in the Statement of Activities and Change in Net Assets.

Accounts receivable -

Accounts receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Grants receivable -

Grants receivable are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are recorded at fair value. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of $2,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the six months ended June 30, 2018 totaled $5,188.

Leasehold improvements are amortized over the remaining life of the lease.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes -

ASHG is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code, but it is subject to tax on unrelated business income. ASHG is not a private foundation. The financial statements for the six months ended June 30, 2018, include prepaid income tax expenses totaling $23,986, which are included in other assets.

Uncertain tax positions -

For the six months ended June 30, 2018, ASHG has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Deferred revenue -

Deferred revenue consists of member dues and conference and meeting registrations. ASHG recognizes member dues on a pro-rata basis over the annual membership period. ASHG recognizes conference and meeting revenue when the related event has occurred.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of ASHG and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of ASHG and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

ASHG receives funding under grants and contracts from the U.S. Government. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and support receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Contributions and grants (continued) -

Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

ASHG invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurement -

In accordance with FASB ASC 820, *Fair Value Measurement*, ASHG has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market ASHG has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of ASHG's financial statements, it is not expected to alter ASHG's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. ASHG has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

ASHG plans to adopt the new ASUs at the respective required implementation dates.

2. INVESTMENTS

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy by which the measurements were made. ASHG's investments as of June 30, 2018 were as follows:

	Level 1	Level 2	Level 3	Total June 30, 2018
Asset Class:				
Money market funds	$ 536,461	$ -	$ -	$ 536,461
Equity mutual funds	4,916,146	-	-	4,916,146
Fixed income mutual funds	5,503,029	-	-	5,503,029
U.S. Treasury obligations	-	3,106,220	-	3,106,220
Corporate and foreign bonds	-	3,150,371	-	3,150,371
U.S. Government agencies	-	619,082	-	619,082
TOTAL	$ 10,955,636	$ 6,875,673	$ -	$ 17,831,309

4. LEASE COMMITMENTS (Continued)

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

Year Ending June 30,	
2020	$ 176,091
2021	241,048
2022	247,717
2023	254,545
Thereafter	1,757,722
	$ 2,677,123

Rent expense for the six months ended June 30, 2018 was $92,278.

ASHG subleased a portion of its previous office space under a lease, which expired on December 31, 2016. However, per the sublease agreement, the sublease automatically renewed for a period of one-year unless sooner terminated by either party. The agreement was terminated during 2018 with the termination of the old office space.

Rental income for the six months ended June 30, 2018 was $10,461 and is included in other income on the Statement of Activities and Change in Net Assets.

5. RETIREMENT PLAN

All full time employees of ASHG may participate in a defined contribution plan sponsored by the Federation of American Societies of Experimental Biology (FASEB). The Plan provides a 10% contribution on each eligible salary when the employee contributes 2.5%. Contributions to the Plan during the six months ended June 30, 2018 totaled $92,680.

6. COMMITMENTS

ASHG is committed under agreements for conference space for annual meetings 2018, 2025 and 2026. The total commitments under the agreements are not determinable as it depends upon attendance and other unknown factors. There are cancellation penalties that would be due if the agreements were cancelled prior to the event date. The amount of the cancellation penalties increases through the date of the event.

The Society has a service agreement with the Genetics Society of America (GSA). Under this agreement, GSA reimburses the Society for office related expenses including supplies, IT, and utilities. Reimbursements due to ASHG from GSA at June 30, 2018 totaled $4,763.

7. AMERICAN JOURNAL OF HUMAN GENETICS

In June 2007, the Society entered into a journal publishing agreement with Cell Press, for the professional publication, The American Journal of Human Genetics. Under the terms of the agreement, Cell Press publishes the journal, handles the subscription process, and keeps the accounting for the journal operations. This agreement expires in 2022. For the six months ended June 30, 2018, total royalty and editorial support received from Cell Press as part of this agreement was $778,288.

8. SUBSEQUENT EVENTS

In preparing these financial statements, ASHG has evaluated events and transactions for potential recognition or disclosure through October 15, 2018, the date the financial statements were issued.